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October 23, 2015

VIA eFILING

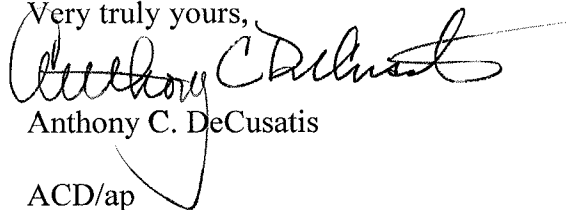
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

**In Re: Joint Application of Mid-Atlantic Interstate Transmission, LLC (“MAIT”);
Metropolitan Edison Company (“Met-Ed”) and Pennsylvania Electric Company
(“Penelec”) For: (1) a Certificate of Public Convenience under 66 Pa. C.S.
§ 1102(A)(3) Authorizing the Transfer of Certain Transmission Assets from Met-Ed and
Penelec to MAIT; (2) a Certificate of Public Convenience Conferring upon MAIT the
status of a Pennsylvania Public Utility under 66 Pa. C.S. § 102; and (3) Approval of
Certain Affiliate Interest Agreements under 66 Pa. C.S. § 2102
Docket Nos. A-2015-2488903; A-2015-2488904; A-2015-2488905; G-2015-2488906;
G-2015-2488907; G-2015-2489542; G-2015-2489543; G-2015-2489544; G-2015-2489545;
G-2015-2489547; G-2015-2490801; G-2015-2490802**

Dear Secretary Chiavetta:

Pursuant to Paragraph 3 of the Prehearing Conference Order issued on October 13, 2015 by Deputy Chief Administrative Law Judge Mark A. Hoyer and Administrative Law Judge Mary D. Long, enclosed for filing is the **Prehearing Memorandum on behalf of Mid-Atlantic Interstate Transmission, LLC, Metropolitan Edison Company and Pennsylvania Electric Company** (“Joint Applicants”) in the above-captioned matter. Copies of the Joint Applicants’ Prehearing Memorandum have been served in accordance with the enclosed Certificate of Service.

Very truly yours,



Anthony C. DeCusatis

ACD/ap
Enclosure

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JOINT APPLICATION OF MID-ATLANTIC INTERSTATE TRANSMISSION, LLC (“MAIT”); METROPOLITAN EDISON COMPANY (“MET-ED”) AND PENNSYLVANIA ELECTRIC COMPANY (“PENELEC”) FOR: (1) A CERTIFICATE OF PUBLIC CONVENIENCE UNDER 66 PA.C.S. § 1102(A)(3) AUTHORIZING THE TRANSFER OF CERTAIN TRANSMISSION ASSETS FROM MET-ED AND PENELEC TO MAIT; (2) A CERTIFICATE OF PUBLIC CONVENIENCE CONFERRING UPON MAIT THE STATUS OF A PENNSYLVANIA PUBLIC UTILITY UNDER 66 PA.C.S. § 102; AND (3) APPROVAL OF CERTAIN AFFILIATE INTEREST AGREEMENTS UNDER 66 PA.C.S. § 2102	:	Docket Nos.: A-2015-2488903 A-2015-2488904 A-2015-2488905 G-2015-2488906 G-2015-2488907 G-2015-2489542 G-2015-2489543 G-2015-2489544 G-2015-2489545 G-2015-2489547 G-2015-2490801 G-2015-2490802
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CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Prehearing Memorandum of Mid-Atlantic Interstate Transmission, LLC, Metropolitan Edison Company and Pennsylvania Electric Company** on the following persons in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC MAIL ONLY

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Transmission, LLC, Metropolitan Edison
Company and Pennsylvania Electric
Company*

Date: October 23, 2015

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JOINT APPLICATION OF MID-ATLANTIC INTERSTATE TRANSMISSION, LLC (“MAIT”); METROPOLITAN EDISON COMPANY (“MET-ED”) AND PENNSYLVANIA ELECTRIC COMPANY (“PENELEC”) FOR: (1) A CERTIFICATE OF PUBLIC CONVENIENCE UNDER 66 PA.C.S. § 1102(A)(3) AUTHORIZING THE TRANSFER OF CERTAIN TRANSMISSION ASSETS FROM MET-ED AND PENELEC TO MAIT; (2) A CERTIFICATE OF PUBLIC CONVENIENCE CONFERRING UPON MAIT THE STATUS OF A PENNSYLVANIA PUBLIC UTILITY UNDER 66 PA.C.S. § 102; AND (3) APPROVAL OF CERTAIN AFFILIATE INTEREST AGREEMENTS UNDER 66 PA.C.S. § 2102

**Docket Nos.: A-2015-2488903
A-2015-2488904
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G-2015-2489543
G-2015-2489544
G-2015-2489545
G-2015-2489547
G-2015-2490801
G-2015-2490802**

**PREHEARING MEMORANDUM OF
MID-ATLANTIC INTERSTATE TRANSMISSION, LLC,
METROPOLITAN EDISON COMPANY AND
PENNSYLVANIA ELECTRIC COMPANY**

This Prehearing Memorandum is submitted in response to the Prehearing Conference Order issued by Deputy Chief Administrative Law Judge Mark A. Hoyer and Administrative Law Judge Mary D. Long dated October 13, 2015.

I. INTRODUCTION

A. Background And Overview

On June 19, 2015, Mid-Atlantic Interstate Transmission, LLC (“MAIT”), Metropolitan Edison Company (“Met-Ed”) and Pennsylvania Electric Company (“Penelec”) (together, the “Joint Applicants”) filed a Joint Application to obtain the approval of the Pennsylvania Public Utility Commission (the “Commission”) under Chapters 11, 21 and 28 of the Public Utility Code: (1) for Met-Ed and Penelec to contribute their existing transmission assets to MAIT; (2) for MAIT to be a certificated Pennsylvania public utility; and (3) for approval of certain affiliated interest agreements. Contemporaneously, Jersey Central Power & Light Company (“JCP&L”), an affiliate of the Joint Applicants that provides electric distribution service in the State of New Jersey, filed an application seeking the approval of the New Jersey Board of Public Utilities (“NJBPU”) to contribute its transmission assets to MAIT; for MAIT to be granted public utility status in New Jersey; and for approval of certain affiliated interest agreements (Met-Ed, Penelec and JCP&L are hereafter referred to collectively as the “Operating Companies”).

MAIT is a newly-formed limited liability company to be jointly owned by the Operating Companies and FirstEnergy Transmission, LLC (“FET”) that will provide interstate electric transmission service subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”). Upon obtaining the necessary approvals from the Commission, the NJBPU and the FERC,¹ the Operating Companies will contribute their transmission assets to MAIT in exchange

¹ Also on June 19, 2015, Met-Ed, Penelec, JCP&L, FET and MAIT filed at the FERC an *Application for Authorization Pursuant to Sections 203(a)(1)(A) and 203(a)(2) of the Federal Power Act and Request for Waivers of Certain Filing Requirements for Approval of the Transfer of the Operating Companies’ Transmission Assets to MAIT* at FERC Docket No. EC15-157-000. The Commission has intervened in that proceeding.

for membership interests in MAIT pursuant to certain agreements among the Operating Companies, FET and MAIT (the “Transaction”). As previously noted, MAIT is also seeking a certificate of public convenience conferring the status of a public utility under Section 102 of the Public Utility Code. Finally, in addition to approvals under Chapters 11 and 28, the Joint Applicants request that the Commission grant the approvals necessary under Chapter 21 of the Public Utility Code for the agreements that are necessary to consummate the Transaction and provide for the subsequent operation of MAIT, including revisions to existing affiliated interest arrangements that will facilitate the provision of shared services between MAIT and the Operating Companies.

Accompanying their Joint Application, the Joint Applicant submitted written direct testimony and associated exhibits, as more fully described in Section III, *infra*. The Joint Application and accompanying written testimony and exhibits describe the transaction in more detail and also describe the benefits that will accrue from completing the Transaction. In summary, the creation of MAIT and the contribution to it of the Operating Companies’ transmission assets will establish a transparent, stand-alone transmission entity that is expected to have better credit metrics than any one of the Operating Companies standing alone.² The better credit metrics and improved access to capital that MAIT is expected to achieve are particularly important at this time because FirstEnergy has recently established the Energizing the Future (“EtF”) program designed to increase the reliability of the transmission system, improve the condition of equipment on the system, enhance system performance, and improve operational flexibility.³ Although the EtF program initially focused on reliability enhancement

² Joint Application, p. 2; Joint Applicants’ Statement No. 1, pp. 17-22 and Statement No. 3, pp. 9-17.

³ Joint Application, pp. 2-3; Joint Applicants’ Statement No. 1, pp. 20-21 and Statement No. 2, pp. 5-9.

projects in the transmission zone of American Transmission Systems, Inc. (“ATSI”) located in Ohio and western Pennsylvania, FirstEnergy now proposes to expand the program to include reliability enhancement investments in the Met-Ed, Penelec and JCP&L zones.⁴ Based on a preliminary assessment, increased transmission system capital investments in the Operating Companies’ transmission zones could total as much as \$2.5 to \$3.0 billion over the next five to ten years to maintain reliability in the face of evolving conditions on the transmission system.⁵

The Joint Application and accompanying testimony also address MAIT’s request for a certificate of public convenience conferring public utility status⁶ and the Joint Applicants’ request for approval under Chapter 21 of affiliated interest agreements necessary to complete the Transaction and to provide for MAIT’s subsequent operation as a stand-alone transmission company.⁷

B. Procedural History

Notice of the Joint Application was published in the *Pennsylvania Bulletin* on July 4, 2015. The published notice included the Commission’s directive that formal protests and petitions to intervene were to be filed no later than August 3, 2015. To date, the Joint Applicants have been served with Notices of Appearance, Protests and Petitions to Intervene from the entities listed below:

1. Office of Small Business Advocate (“OSBA”) – Notice of Appearance, Notice of Intervention and Protest, and Public Statement (Dated July 9, 2015);

⁴ Joint Application, p. 2; Joint Applicants’ Statement No. 1, p. 19.

⁵ Joint Application, pp. 2-3; Joint Applicants’ Statement No. 1, p. 19.

⁶ Joint Application, pp. 19-21; Joint Applicants’ Statement No. 1, pp. 11-13.

⁷ Joint Application, pp. 12-13; Joint Applicants’ Statement No. 4, pp. 6-10.

2. International Brotherhood of Electrical Workers (“IBEW”) Local 459 and IBEW Local 777 (collectively “Labor Intervenors”) – Petition to Intervene (Dated July 30, 2015);
3. The Pennsylvania State University (“PSU”) – Petition to Intervene (Dated July 31, 2015);
4. Office of Consumer Advocate (“OCA”) – Protest and Public Statement (Dated August 3, 2015);⁸
5. Tri-County Rural Electric Cooperative (“Tri-County”) and Wellsboro Electric Company (“Wellsboro”) – Petition to Intervene (Dated August 3, 2015)⁹;
6. Nobel Americas Energy Solutions LLC (“Noble”) – Petition to Intervene (Dated August 3, 2015);
7. Med-Ed Industrial Users Group (“MEIUG”) and the Penelec Industrial Customer Alliance (“PICA”) – Petition to Intervene (Dated August 3, 2015);
8. Wellsboro – Amended Petition to Intervene¹⁰ (Dated August 17, 2015); and
9. Bureau of Investigation & Enforcement (“I&E”) – Notice of Appearance (Dated August 28, 2015).

⁸ On October 5, 2015, a Notice of Appearance was filed by Amy Hirkakis requesting to be added to the list of counsel representing the OCA in this case.

² As explained below, the Petition to Intervene filed jointly by Tri-County and Wellsboro was subsequently superseded by the Petition to Intervene filed solely by Wellsboro and, therefore, Tri-County ceased to be a petitioner for intervention in this case.

¹⁰ As noted previously, Wellsboro’s Amended Petition to Intervene does not include Tri-County. On August 24, 2015, the Joint Applicants filed an Answer in Opposition to Wellsboro’s Amended Petition to Intervene.

On August 7, 2015, the Commission's Bureau of Technical Utility Services ("TUS") filed and served upon the Joint Applicants, others parties¹¹ and the Office of Administrative Law Judge ("OALJ") thirty-four data requests pertaining to the Joint Application and its accompanying testimony. Pursuant to the directive in the transmittal letter from the Director of TUS, the Joint Applicants served their answers to the TUS data requests on TUS and other parties in this proceeding on August 21, 3015.

On August 10, 2015, the Commission issued a Secretarial letter in which it identified thirty-eight issues that the parties should address in this proceeding, noting that "[t]he parties may address these issues in this letter in testimonial form (direct, supplemental direct, rebuttal) or as exhibits in the record." For the most part, the issues listed in the August 10, 2015, Secretarial letter mirrored the data requests issued by TUS on August 7, 2015. As explained below, the Joint Applicants propose to serve Supplemental Direct Testimony addressing the issues identified in the August 10, 2015 Secretarial letter.

On September 8, 2015, TUS served on the Joint Applicants, other parties and the OALJ a second set of data requests. Pursuant to the directive in the transmittal letter from the Director of TUS, the Joint Applicants served their answers to the TUS data requests on TUS and other parties in this proceeding on September 25, 3015.

On October 1, 2015, the Commission issued a Secretarial letter that referred all of the matters at the various docket numbers assigned to the Joint Application to the OALJ. In addition, the Secretarial Letter: (1) stated that the Joint Applicants' responses to the TUS data

¹¹ For simplicity, Joint Applicants use the term "parties" to refer to those entities listed on the service list in this case, recognizing that Petitions to Intervene and, in particular, Wellsboro's Petition to Intervene – which Joint Applicants oppose – have not yet been acted upon. Using the term "parties" in this fashion does not waive Joint Applicants' continuing opposition to Wellsboro's Petition to Intervene.

requests “are part of the electronic case file in this proceeding and are available to the parties;”¹² (2) directed the Joint Applicants to place on the record a study that was discussed in the Direct Testimony of one of its witnesses (the “Navigant Study”) as well as the “listing of “transmission facilities to be transferred from Met-Ed and Penelec to MAIT;”¹³ and (3) asked the parties to “independently examine the methodology and conclusions of the FE Navigant Study to aid the Commission in its application of the Seven Factor Test as it relates to the transmission facilities to be transferred.”¹⁴

On October 7, 2015, the Commission issued a notice that the Prehearing Conference in this case had been scheduled to occur telephonically at 1:30 p.m. on October 27, 2015. On October 13, 2015, the Prehearing Conference Order was issued, pursuant to which this Prehearing Memorandum is being filed.

II. ISSUES

There are four principal issues to be addressed in this case: (1) whether the Transaction “will affirmatively promote the ‘service, accommodation, convenience or safety of the public’ in some substantial way,” in accordance with *City of York v. Pa. P.U.C.*, 449 Pa. 136, 141, 295 A.2d 825, 828 (1971); (2) whether the Transaction is likely to result in the unlawful exercise of market power or otherwise prevent retail electricity customers in Pennsylvania from obtaining the benefits of a properly functioning competitive retail electricity market (*see* 66 Pa.C.S. §

¹² As previously noted, the Joint Applicants also served copies of their responses to all TUS data requests on everyone on the service list in this case.

¹³ The Navigant Study will be submitted as an exhibit on behalf of the Joint Applicants as part of their Supplemental Direct Testimony. The Joint Applicants provided a “listing of transmission facilities to be transferred from Met-Ed and Penelec to MAIT” as one of the exhibits accompanying the direct testimony filed with the Joint Application. *See* Section III, *infra*.

¹⁴ The seven factor test established by the FERC to determine facilities that serve a FERC-jurisdictional transmission function is described in Joint Applicants’ Statement No. 1 at page 14.

2811(e)); (3) whether MAIT satisfies the criteria of 66 Pa.C.S. § 1103 for issuance of a certificate of public convenience conferring on it public utility status; and (4) whether the proposed affiliated interest agreements and modifications to existing affiliated interest agreements necessary to complete the Transaction and for MAIT's operations as a stand-alone transmission company are in the public interest and should be approved under 66 Pa.C.S. § 21012(a).

The first issue is addressed in detail in the Joint Application (pp. 9-10; 13-18) and the direct testimony that accompanies it,¹⁵ which explain that significant investment in the transmission facilities within the Operating Companies' respective service areas is needed to maintain reliability and that the expansion of the FirstEnergy EtF program is the comprehensive plan to address those needs. A preliminary assessment indicates as much as \$2.5 to \$3.0 million of new transmission investment will be required over the next five to ten years in the Operating Companies' transmission zones. It will be increasingly challenging for utilities that are obligated to meet distribution customers' service requirements to maintain investment grade credit ratings and support an adequate supply of investor capital to sustain transmission expansion and enhancement initiatives of the scale and scope indicated by Joint Applicants' assessment. Companies that are focused solely on the delivery of safe and reliable transmission service offer several advantages that can result in enhanced reliability and lower overall costs for customers, including reduced cost of capital; reduced competition for capital; greater efficiency in the issuance of debt by a single entity instead of multiple entities; operational benefits; and economic and job development benefits.

¹⁵ Joint Applicants' Statement No. 1, pp. 17-22, Statement No. 2, pp. 5-23, and Statement No. 3, pp. 9-18.

As to the second issue, the Transaction will not have an adverse effect on competition for the reasons explained in the Joint Application (pp. 9-10) and the testimony that accompanies it.¹⁶ The transmission assets are currently under the operational control of PJM Interconnection LLC (“PJM”) and will remain so after the Transaction. When the Transaction is complete, MAIT will not own any generation or distribution assets, and Met-Ed and Penelec will not own any transmission assets. Consequently, the Transaction will have no effect on the concentration of generation or transmission assets or upon market power.

With regard to the third issue, the Commission has consistently held that a certificate of public convenience conferring public utility status will be issued where there is a need for the proposed service and the applicant has demonstrated its fitness to provide that service.¹⁷ Additionally, where – as here – the assets and service territory of an existing utility are being transferred to another utility, there is a rebuttable presumption that need for the transferor’s service continues and satisfies the legal standard.¹⁸ With respect to fitness, MAIT will satisfy all three components of the fitness requirement that have been established by the Commission, namely, technical capacity, financial capacity and propensity to operate safely and legally.¹⁹ As explained in the Joint Application²⁰ and in the direct testimony that accompanies it,²¹ MAIT will have the technical capacity and financial capacity to furnish transmission service in the Operating Companies’ transmission zones and will operate safely and in full compliance with applicable legal requirements. As the successor to the Operating Companies’ transmission

¹⁶ Joint Applicants’ Statement No. 1, p. 9.

¹⁷ See Joint Application, p. 19.

¹⁸ Joint Application, pp. 19-20.

¹⁹ See Joint Application, p. 20.

²⁰ Joint Application, pp. 19-21.

²¹ Joint Applicants’ Statement No. 1, pp. 11-13.

functions, MAIT will continue the Operating Companies' track record of consistently furnishing safe and reliable transmission service.

The fourth issue pertains to affiliated interest approvals and involves new affiliated interest agreements (ground leases) and modifications to four existing affiliated interest agreements.²² Joint Applicants are requesting approval of ground leases to be entered into between MAIT and Met-Ed and Penelec, respectively. The land on which the transmission assets are located is owned by Met-Ed and Penelec and will continue to be owned by those companies after the Transaction. MAIT will enter into ground leases conferring on MAIT certain real estate interests in land owned by Met-Ed and Penelec, which will allow MAIT to operate, maintain, replace and add to the transmission facilities after the Transaction is closed. Additionally, four currently approved affiliated agreements are proposed to be modified, principally by adding MAIT. These consist of the following:

- (1) The FirstEnergy Service Agreement, under which MAIT will be entitled to receive administrative, management, and other services from FirstEnergy Service Company ("FESC");
- (2) A Mutual Assistance Agreement, under which MAIT will be able to request and receive non-power goods and services from any of the FirstEnergy operating companies, including the Joint Applicants, such as technical support services and workers to assist MAIT in performing its operations as a stand-alone transmission company;
- (3) The Intercompany Income Tax Allocation Agreement, under which MAIT will be able to participate in FirstEnergy's filing of a consolidated tax return; and

²² See Joint Applicants' Statement No. 4, pp. 5-10.

- (4) The FirstEnergy Regulated Money Pool Agreement, under which MAIT will become a member of the FirstEnergy Regulated Money Pool Agreement and will be able to borrow from, or lend to, other regulated companies to manage its working capital requirements.

Each of the affiliated interest agreements satisfies the criteria set forth in 66 Pa.C.S. § 2102(a) and should be approved.

As previously explained, the Commission issued two Secretarial letters that identified additional subsidiary issues that the Commission directed the parties to address on the record. With the approval of the Administrative Law Judges, which the Joint Applicants hope to obtain at the Prehearing Conference, the Joint Applicants will serve Supplemental Direct Testimony addressing the issues listed in the Commission's Secretarial letters. The Joint Applicants would note that, to a very large extent, their Supplemental Direct Testimony incorporates the information and data they presented in their responses to the data requests issued by TUS.

III. WITNESSES AND EVIDENCE

Listed below are the initial witnesses with a brief summary of the subject matter of their testimony.

Charles V. Fullem (Joint Applicants' Statement No. 1) is Director, Rates and Regulatory Affairs-Pennsylvania. Mr. Fullem provides an overview of the Transaction. He also describes how MAIT will be operated, the affiliated interest agreements it will utilize, the classification of its transmission assets, and the public benefits of the Transaction. Additionally, Mr. Fullem explains why MAIT satisfies all of the requirements for issuance of a certificate of public convenience conferring public utility status under Pennsylvania law, including its financial, technical and legal fitness to furnish transmission service in Pennsylvania as a successor to the

Operating Companies. Mr. Fullem will also submit Supplemental Direct Testimony that will be designated Joint Applicants' Statement No. 1S.

Jeffrey J. Mackauer (Joint Applicants' Statement No. 2) is Director of Transmission Planning & Protection. Mr. Mackauer describes the transmission planning process at FirstEnergy and discusses the benefits and capital requirements associated with expanding FirstEnergy's EtF program to cover the transmission systems currently owned and operated by the Operating Companies. Mr. Mackauer will also submit Supplemental Direct Testimony that will be designated Joint Applicants' Statement No. 2S.

Steven R. Staub (Joint Applicants' Statement No. 3) is Vice President and Treasurer at FESC and, in that role, is responsible for treasury activities for each of the FirstEnergy companies. Mr. Staub describes the financial aspects of the proposed transaction and the associated agreements, and also discusses the benefits of the Transaction. Mr. Staub will also submit Supplemental Direct Testimony that will be designated Joint Applicants' Statement No. 3S.

K. Jon Taylor (Joint Applicants' Statement No. 4) is Vice President, Controller, and Chief Accounting Officer of FirstEnergy. Mr. Taylor discusses the various tax and accounting aspects of the Transaction. Mr. Taylor will also submit Supplemental Direct Testimony that will be designated Joint Applicants' Statement No. 4S.

The following exhibits, containing additional information in support of the Joint Application, accompany, and are discussed in, the Direct Testimony of the Joint Applicants' witnesses:

Sponsoring Witness	Exhibit No.	Description
Charles V. Fullem	CVF-1	Organizational Chart of the Post-Transaction Corporate Structure
Steven R. Staub	SRS-1	Amended and Restated Limited Liability Company Operating Agreement
Steven R. Staub	SRS-2	Corporate Bond Spreads
Steven R. Staub	SRS-3	FirstEnergy Regulated Money Pool Agreement
K. Jon Taylor	KJT-1	Capital Contribution Agreement
K. Jon Taylor	KJT-2	Met-Ed Ground Lease Penelec Ground Lease
K. Jon Taylor	KJT-3	List of Real Property Associated with each Substation that is part of Transfer
K. Jon Taylor	KJT-4	Transmission Facility Maps
K. Jon Taylor	KJT-5	FirstEnergy Service Agreement
K. Jon Taylor	KJT-6	Revised and Amended Restated Mutual Assistance Agreement
K. Jon Taylor	KJT-7	Intercompany Income Tax Allocation Agreement
K. Jon Taylor	KJT-8	Proposed Accounting Entries

The Joint Applicants may present additional witnesses to address the direct testimony of other parties; however, such witnesses cannot be identified until the direct testimony of such parties is reviewed and evaluated.

IV. PROPOSED PROTECTIVE ORDER AND SERVICE MODIFICATIONS

The Joint Applicants are submitting a proposed Protective Order, attached as Exhibit “A” hereto, in order to facilitate the discovery of certain confidential information and respectfully requests that the Administrative Law Judges enter the proposed Protective Order.

To date, The Joint Applicants have been served with 64 interrogatories and data requests received from I&E and TUS. In addition, the Joint Applicants encourage informal exchanges of information and are prepared to meet with representatives of the other active parties to discuss issues of interest.

Additionally, the Joint Applicants respectfully request that the Administrative Law Judges approve the following modifications regarding the service of documents in this proceeding:

- (1) Service of testimony, exhibits and briefs may be by electronic means on the due date with hard copies to follow via overnight delivery.
- (2) Service of discovery may be by electronic means if hard copies follow (unless parties request that hard copies are not required). The hard copy requirement for discovery may be satisfied by providing a hard copy of the response and an electronic copy of any attachments.

V. PROPOSED PROCEDURAL SCHEDULE

The Joint Applicants have developed, and propose, the schedule attached as Exhibit “B” to this Prehearing Memorandum for the submission of testimony, the conduct of evidentiary hearings, and the filing of briefs.

VI. SERVICE LIST

The Joint Applicants request that the official service list entry for the Company be as follows:

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2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612-6001
Phone: 610.921.6203
Fax: 610.939.8655
llepkoski@firstenergycorp.com

The Joint Applicants also requests that a copy of all correspondence, discovery, testimony and other materials sent be provided to:

Thomas P. Gadsden (Pa. No. 28478)
Kenneth M. Kulak (Pa. No. 75509)
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adecusatis@morganlewis.com

VII. REQUEST FOR FORMAL CONSOLIDATION AND CONDUCT OF CONSOLIDATED PROCEEDINGS

The requests for Commission approvals set forth herein, namely, for the issuance of certificates of public convenience under Sections 1101 and 1103 and the approval of affiliated interest agreements, involve a common nucleus of operative facts centering on the contribution of Met-Ed's and Penelec's transmission assets to MAIT, as a proposed certificated Pennsylvania public utility. Moreover, a substantially similar set of legal standards exists for issuance of the requested certificates which, in large measure, center on whether the proposed Transaction will

provide affirmative benefits and is in the public interest. Accordingly, pursuant to 52 Pa. Code § 5.81, the Joint Application (pp. 24-26) requests formal consolidation, into a single proceeding, of all of the requests for approval set forth therein.

As explained in the Joint Application, consolidation will help to develop a more complete, understandable and meaningful evidentiary record than would exist if each request were assigned to a separate proceeding. Moreover, formal consolidation will avoid duplication and repetition in the submission of testimony, the conduct of discovery and evidentiary proceedings, briefing, the issuance of an initial decision, and the preparation and filing of exceptions and reply exceptions. Accordingly, consolidation will conserve administrative time, resources and money as well as reduce the costs of the Joint Applicants and other parties.

Formal consolidation will ensure that each request for approval in the Joint Application and any subsidiary issues would be treated procedurally in the same fashion as the individual issues in a single base rate proceeding. As a consequence, witnesses would be permitted to address any issue or group of issues in a single statement of direct, rebuttal, surrebuttal or rejoinder testimony (as applicable); a single set of consolidated evidentiary hearings would be conducted; witnesses, when presented, would be subject to cross-examination with regard to all of the testimony they submitted in the consolidated proceeding; one main and one reply brief would be filed by each party in which all of the issues in the consolidated proceeding could be addressed; a single initial decision would be issued covering all contested issues; and each party would be permitted to file exceptions and reply exceptions addressing all of the issues in the initial decision. The Commission has previously approved a similar approach in proceedings involving the default service plans, Smart Meter plans and energy efficiency and conservation plans of Met-Ed, Penelec, Pennsylvania Power Company and West Penn Power Company.

For all of the foregoing reasons, the formal consolidation of the requests for approval set forth in the Joint Application in the manner delineated above is fully justified, in the public interest and should be granted.

VIII. SETTLEMENT

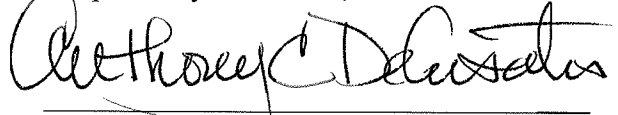
The Joint Applicants are willing to pursue with the parties the possible stipulation of individual issues as well as more far-ranging settlement discussions that might lead to a comprehensive resolution of this matter. The Joint Applicants are prepared to work with the other parties to establish dates for settlement conferences to be held.

IX. CONCLUSION

Based on the evidence referenced above, the Joint Applicants submit that the Transaction satisfies the legal requirements for the approvals necessary to consummate the Transaction as described previously, and the Joint Applicants, therefore, request that the Commission: (1) issue certificates of public convenience evidencing approval under 66 Pa.C.S. § 1102(a)(3) for the transfer of Met-Ed's and Penelec's transmission assets to MAIT in the manner described in the Joint Application; (2) find and determine, pursuant to 66 Pa.C.S. § 2811(e), that the Transaction will not result in anticompetitive or discriminatory conduct, including the unlawful exercise of market power, which would prevent retail electricity customers in the Commonwealth from obtaining the benefits of a properly functioning and workable competitive retail electricity market; (3) issue a certificate of public convenience under 66 Pa.C.S. § 1101 conferring on MAIT the status of a public utility as defined in 66 Pa.C.S. § 102; (4) find and determine that the affiliated interest agreements submitted with this Joint Application satisfy the legal standard for approval

under Chapter 21 of the Public Utility Code; and (5) grant such additional approvals as may be necessary to consummate the Transaction.

Respectfully submitted,



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Dated: October 23, 2015

EXHIBIT A

Protective Order

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JOINT APPLICATION OF MID-ATLANTIC INTERSTATE TRANSMISSION, LLC (“MAIT”); METROPOLITAN EDISON COMPANY (“MET-ED”) AND PENNSYLVANIA ELECTRIC COMPANY (“PENELEC”) FOR: (1) A CERTIFICATE OF PUBLIC CONVENIENCE UNDER 66 PA.C.S. § 1102(A)(3) AUTHORIZING THE TRANSFER OF CERTAIN TRANSMISSION ASSETS FROM MET-ED AND PENELEC TO MAIT; (2) A CERTIFICATE OF PUBLIC CONVENIENCE CONFERRING UPON MAIT THE STATUS OF A PENNSYLVANIA PUBLIC UTILITY UNDER 66 PA.C.S. § 102; AND (3) APPROVAL OF CERTAIN AFFILIATE INTEREST AGREEMENTS UNDER 66 PA.C.S. § 2102

**Docket Nos.: A-2015-2488903
A-2015-2488904
A-2015-2488905
G-2015-2488906
G-2015-2488907
G-2015-2489542
G-2015-2489543
G-2015-2489544
G-2015-2489545
G-2015-2489547
G-2015-2490801
G-2015-2490802**

PROTECTIVE ORDER

Upon consideration of the unopposed on-the-record request for entry of a Protective Order made by the Joint Applicants at the Prehearing Conference held on October 27, 2015, in this matter:

IT IS ORDERED THAT:

1. The Motion for entry of a Protective Order is hereby granted and this Protective Order is issued to establish procedures for the protection of all materials and information identified in Paragraphs 2 and 3 below, which are or will be filed with the Commission, produced in discovery, or otherwise presented during the above-captioned proceedings and all proceedings consolidated with them. All persons now or hereafter granted access to the

materials and information identified in Paragraphs 2 and 3 of this Protective Order shall use and disclose such information only in accordance with this Order.

2. The information subject to this Protective Order is all correspondence, documents, data, information, studies, methodologies and other materials, in whatever form produced, stored or contained, including computerized memory, magnetic, electronic or optical media, furnished in this proceeding that the producing party believes to be of a proprietary or confidential nature and are so designated by being stamped "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL" protected material. Such materials are referred to in this Protective Order as "Proprietary Information." When a statement or exhibit is identified for the record, the portions thereof that constitute Proprietary Information shall be designated as such for the record.

3. For purposes of this Protective Order, there are two categories of Proprietary Information: "CONFIDENTIAL" and "HIGHLY CONFIDENTIAL" protected material. A producing party may designate as "CONFIDENTIAL" those materials that are customarily treated by that party as sensitive or proprietary, that are not available to the public, and that, if generally disclosed, would subject that party to the risk of competitive disadvantage or other business injury. A producing party may designate as "HIGHLY CONFIDENTIAL" those materials that are of such a commercially sensitive nature, relative to the business interests of parties to this proceeding, or of such a private or personal nature, that the producing party is able to justify a heightened level of confidential protection with respect to those materials. The parties shall endeavor to limit the information designated as "HIGHLY CONFIDENTIAL" protected material.

4. Subject to the terms of this Protective Order, Proprietary Information shall be provided to counsel for a party who meets the criteria of a "Reviewing Representative" as set forth below. Such counsel shall use or disclose the Proprietary Information only for purposes of preparing or presenting evidence, testimony, cross-examination, argument, or settlement discussions in this proceeding. To the extent required for participation in this proceeding, such counsel may allow others to have access to Proprietary Information only in accordance with the conditions and limitations set forth in this Protective Order.

5. Nothing in this Protective Order precludes the use by the Commission and its Staff, consistent with this Protective Order, of Proprietary Information produced in this proceeding and made part of the record.

6. Information deemed "CONFIDENTIAL" shall be provided to a "Reviewing Representative." For purposes of "CONFIDENTIAL" Proprietary Information, a "Reviewing Representative" is a person who has signed a Non-Disclosure Certificate and is:

- i. An attorney who has formally entered an appearance in this proceeding on behalf of a party;
- ii. An attorney, paralegal, or other employee associated for purposes of this case with an attorney described in subparagraph (i) above;
- iii. An expert or an employee of an expert retained by a party for the purpose of advising that party or testifying in this proceeding on behalf of that party; or
- iv. Employees or other representatives of a party who have significant responsibility for developing or presenting that party's positions in this docket.

7. Information deemed "HIGHLY CONFIDENTIAL" protected material shall be provided to a Reviewing Representative, provided, however that a Reviewing Representative, for

purposes of “HIGHLY CONFIDENTIAL” protected material, is limited to a person who has signed a Non-Disclosure Certificate and is:

- i. An attorney who has formally entered an appearance in this proceeding on behalf of a party;
- ii. An attorney, paralegal, or other employee associated for purposes of this case with an attorney described in subparagraph (i) above;
- iii. An outside expert or an employee of an outside expert retained by a party for the purpose of advising that party or testifying in this proceeding on behalf of that party; or
- iv. A person designated as a Reviewing Representative for purposes of HIGHLY CONFIDENTIAL protected material pursuant to Paragraph 12.

8. For purposes of this Protective Order, a Reviewing Representative may not be a “Restricted Person” absent agreement of the party producing the Proprietary Information pursuant to Paragraph 12. A “Restricted Person” shall mean: (a) an officer, director, stockholder, partner, or owner of any competitor of the parties or an employee of such an entity if the employee’s duties involve marketing or pricing of the competitor’s products or services or advising another person who has such duties; (b) an officer, director, stockholder, partner, or owner of any affiliate of a competitor of the parties (including any association of competitors of the parties) or an employee of such an entity if the employee’s duties involve marketing or pricing of the competitor’s products or services or advising another person who has such duties; (c) an officer, director, stock holder, owner, agent or employee of a competitor of a customer of or vendor to the parties if the Proprietary Information concerns a specific, identifiable customer of or vendor to the parties; and (d) an officer, director, stockholder, owner or employee of an affiliate of a competitor of a customer of the parties if the Proprietary Information concerns a specific, identifiable customer of the parties; provided, however, that no expert shall be disqualified on account of being a stockholder, partner, or owner unless that expert’s interest in

the business would provide a significant motive for violating the limitations of permissible use of the Proprietary Information. For purposes of this Protective Order, stocks, partnership or other ownership interests valued at more than \$10,000 or constituting more than a 1% interest in a business establish a significant motive for violation.

9. If an expert for a party, another member of the expert's firm or the expert's firm generally also serves as an expert for, or as a consultant or advisor to, a Restricted Person, that expert must: (1) identify for the parties each Restricted Person and all personnel in or associated with the expert's firm that work on behalf of the Restricted Person; (2) take all reasonable steps to segregate those personnel assisting in the expert's participation in this proceeding from those personnel working on behalf of a Restricted Person; and (3) if segregation of such personnel is impractical, the expert shall give to the producing party a written assurance that the lack of segregation will in no way adversely affect the interest of the parties or their customers. The parties retain the right to challenge the adequacy of the written assurances that the parties' or their customers' interests will not be adversely affected. No other persons may have access to the Proprietary Information except as authorized by order of the Commission or the presiding Administrative Law Judge(s).

10. Reviewing Representatives qualified to receive "HIGHLY CONFIDENTIAL" protected material may discuss HIGHLY CONFIDENTIAL protected material with their client or with the entity with which they are employed or associated, to the extent that the client or entity is not a "Restricted Person," but may not share with, or permit the client or entity to review or have access to, the HIGHLY CONFIDENTIAL protected material. Counsel for the Office of Consumer Advocate ("OCA"), Office of Small Business Advocate ("OSBA") and Bureau of Investigation and Enforcement ("I&E") may share Proprietary Information with the Consumer

Advocate, Small Business Advocate, or I&E Director, respectively, without obtaining a Non-Disclosure Certificate from the Consumer Advocate, Small Business Advocate, or I&E Director, provided however, that the Consumer Advocate, Small Business Advocate, or I&E Director otherwise abides by the terms of this Protective Order.

11. Proprietary Information shall be treated by the parties and by the Reviewing Representative in accordance with the terms of this Protective Order, which are hereby expressly incorporated into the certificate that must be executed pursuant to Paragraph 13(a). Proprietary Information shall be used as necessary, for the conduct of this proceeding and for no other purpose. Proprietary Information shall not be disclosed in any manner to any person except a Reviewing Representative who is engaged in the conduct of this proceeding and who needs to know the information in order to carry out that person's responsibilities in this proceeding.

12. Reviewing Representatives may not use anything contained in any Proprietary Information obtained through this proceeding to give any party or any competitor of any party a commercial advantage. In the event that a party wishes to designate as a Reviewing Representative a person not described in Paragraph 7(i) through (iii) above, as qualified by Paragraph 8 above, the party must first seek agreement to do so from the party providing the Proprietary Information. If an agreement is reached, the designated individual shall be a Reviewing Representative pursuant to Paragraph 7(iv) above with respect to those materials. If no agreement is reached, the party seeking to have a person designated a Reviewing Representative shall submit the disputed designation to the presiding Administrative Law Judge(s) for resolution.

13. (a) A Reviewing Representative shall not be permitted to inspect, participate in discussions regarding, or otherwise be permitted access to Proprietary Information pursuant to this Protective Order unless that Reviewing Representative has first executed a Non-Disclosure Certificate in the form provided in Appendix A, provided, however, that if an attorney or expert qualified as a Reviewing Representative has executed such a certificate, the paralegals, secretarial and clerical personnel under the attorney's instruction, supervision or control need not do so. A copy of each executed Non-Disclosure Certificate shall be provided to counsel for the party asserting confidentiality prior to disclosure of any Proprietary Information to that Reviewing Representative.

(b) Attorneys and outside experts qualified as Reviewing Representatives are responsible for ensuring that persons under their supervision or control comply with this Protective Order.

14. The parties shall designate data or documents as constituting or containing Proprietary Information by stamping the documents "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL" protected material. Where only part of data compilations or multi-page documents constitutes or contains Proprietary Information, the parties, insofar as reasonably practicable within discovery and other time constraints imposed in this proceeding, shall designate only the specific data or pages of documents which constitute or contain Proprietary Information.

15. The Commission and all parties, including the statutory advocates and any other agency or department of state government, will consider and treat the Proprietary Information as within the definition of "confidential proprietary information" in Section 102 of the Pennsylvania Right-to-Know Law of 2008, 65 P.S. § 67.102 and subject to the exemptions from disclosure

provided in the Pennsylvania Right-to-Know Act (65 P.S. § 67.101 et seq.) until such information is found by a tribunal with jurisdiction to be not confidential or subject to one or more exemptions.

16. Any public reference to Proprietary Information by a party or its Reviewing Representative shall be to the title or exhibit reference in sufficient detail to permit persons with access to the Proprietary Information to understand fully the reference and not more. The Proprietary Information shall remain a part of the record, to the extent admitted, for all purposes of administrative or judicial review.

17. The part(s) of any record of this proceeding containing Proprietary Information, including but not limited to all exhibits (including discovery responses made part of the record), writings, testimony, cross examination, and argument, and including reference thereto as mentioned in Paragraph 16 above, shall be sealed for all purposes, including administrative and judicial review, unless such Proprietary Information is released from the restrictions of this Protective Order, either through the agreement of the parties to this proceeding or pursuant to an order of the Commission.

18. The parties shall retain the right to question or challenge the confidential or proprietary nature of Proprietary Information and to question or challenge the admissibility of Proprietary Information. If a party challenges the designation of a document or information as proprietary, the producing party retains the burden of demonstrating that the designation is appropriate.

19. The parties shall retain the right to object to the production of Proprietary Information on any proper ground, to refuse to produce Proprietary Information pending the

adjudication of the objection, and to seek additional measures of protection of Proprietary Information beyond those provided in this Protective Order.

20. Within 30 days after a Commission final order is entered in the above-captioned proceedings, or in the event of appeals, within thirty days after appeals are finally decided, the receiving party, upon request, shall either destroy or return to the producing party all copies of all documents and other materials not entered into the record, including notes, which contain any Proprietary Information. This provision, however, shall not apply to I&E, the OCA, or the OSBA, or any other party receiving the consent of the producing party; except, however, that HIGHLY CONFIDENTIAL protected material provided to any party shall be returned to the producing party or destroyed in all cases. In the event that a receiving party elects to destroy all copies of documents and other materials containing Proprietary Information instead of returning the copies of documents and other materials containing Proprietary Information to the producing party, upon request, the receiving party shall certify in writing to the producing party that the Proprietary Information has been destroyed.

Date: _____, 2015

Mark A. Hoyer
Deputy Chief Administrative Law Judge

Mary D. Long
Administrative Law Judge

**APPENDIX A
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

JOINT APPLICATION OF MID-ATLANTIC INTERSTATE TRANSMISSION, LLC (“MAIT”); METROPOLITAN EDISON COMPANY (“MET-ED”) AND PENNSYLVANIA ELECTRIC COMPANY (“PENELEC”) FOR: (1) A CERTIFICATE OF PUBLIC CONVENIENCE UNDER 66 PA.C.S. § 1102(A)(3) AUTHORIZING THE TRANSFER OF CERTAIN TRANSMISSION ASSETS FROM MET-ED AND PENELEC TO MAIT; (2) A CERTIFICATE OF PUBLIC CONVENIENCE CONFERRING UPON MAIT THE STATUS OF A PENNSYLVANIA PUBLIC UTILITY UNDER 66 PA.C.S. § 102; AND (3) APPROVAL OF CERTAIN AFFILIATE INTEREST AGREEMENTS UNDER 66 PA.C.S. § 2102	Docket Nos.: A-2015-2488903 A-2015-2488904 A-2015-2488905 G-2015-2488906 G-2015-2488907 G-2015-2489542 G-2015-2489543 G-2015-2489544 G-2015-2489545 G-2015-2489547 G-2015-2490801 G-2015-2490802
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NON-DISCLOSURE CERTIFICATE

TO WHOM IT MAY CONCERN:

The undersigned is the _____ of _____ (the receiving party).

The undersigned has read and understands the Protective Order executed in the above-captioned proceedings that deals with the treatment of Proprietary Information. The undersigned agrees to be bound by, and comply with, the terms and conditions of said Protective Order, which are incorporated herein by reference.

SIGNATURE

PRINT NAME

ADDRESS

EMPLOYER

DATE: _____, 2015

EXHIBIT B

Joint Applicants' Proposed Schedule

**Joint Application Of
Mid-Atlantic Interstate Transmission, LLC (“MAIT”);
Metropolitan Edison Company (“Met-Ed”); And
Pennsylvania Electric Company (“Penelec”)**

Docket Nos. A-2015-2488903, A-2015-2488904, A-2015-2488905, *et al.*

JOINT APPLICANTS’ PROPOSED SCHEDULE

June 19, 2015	Joint Application filed with the Commission
August 3, 2015	Last day for Interventions to be filed
August 21, 2015	Responses to TUS (Set 1) Data Requests served on all parties
September 26, 2015	Responses to TUS (Set 2) Data Requests served on all parties.
October 27, 2015	Prehearing Conference
October 27, 2015	Joint Applicants’ Supplemental Direct Testimony
November 24, 2015	Intervenors’ Direct Testimony
December 23, 2015	Rebuttal Testimony
January 13, 2016	Surrebuttal Testimony
January 25-29, 2016	Evidentiary Hearings (A week has been identified; the number of actual hearing days in this week that may be needed can be determined subsequently.)
February 19, 2016	Main Briefs
March 4, 2016	Reply Briefs
Late April 2016	ALJs’ Decision (expected)
Early May 2016	Exceptions (exact date will be set by the Commission)
Mid-May 2016	Reply Exceptions (exact date will be set by the Commission)
June 2016	Commission’s final order.